

## Message Text

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ACTION TRSE-00

INFO OCT-01 ARA-16 EUR-25 EA-11 NEA-14 ISO-00 OPIC-12

XMB-07 FEA-02 AEC-11 AID-20 CEA-02 CIAE-00 CIEP-03

COME-00 DODE-00 EB-11 FPC-01 H-03 INR-11 INT-08 L-03

NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01 SCI-06

SP-03 SS-20 STR-08 FRB-03 DRC-01 PRS-01 AF-10 /230 W

----- 018365

R 040600Z SEP 74

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 8472

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY BERN

USMISSION EC BRUSSELS

AMEMBASSY CAIRO

AMEMBASSY CARACAS

AMCONSUL DHAHRAN

AMEMBASSY JAKARTA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

USMISSION OECD PARIS

AMEMBASSY ROME

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

AMCONSUL ZURICH

C O N F I D E N T I A L SECTION 1 OF 2 JIDDA 5097

BEIRUT PASS BAGHDAD

E.O. 11652: GDS

TAGS: EFIN, SA

SUBJECT: HOLDINGS OF SAUDI FOREIGN ASSETS

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REF: DEPARTMENT'S A-6237 OF AUG 7, 1974

BEGIN SUMMARY SAG HOLDINGS OF FOREIGN EXCHANGE MAY NOW TOTAL MORE THAN 12.7 BILLION DOLLARS. THEY ARE GROWING AT A RATE OF MORE THAN \$1.8 BILLION A MONTH. EXACT DEPOSIT AND INVESTMENT PATTERNS ARE HIGHLY CONFIDENTIAL BUT EMBASSY ESTIMATES HAVE BEEN MADE AND REFINED BY COMMENTS FROM SAG OFFICIALS. MOST OF THE RESERVES ARE APPARENTLY STILL HELD IN EURODOLLAR SHORT-TERM DEPOSITS ALTHOUGH THE TREND IS NOW TOWARDS THE U.S. MARKET AND LONGER-TERM INSTRUMENTS. END SUMMARY

1. WE HAVE NOT APPROACHED ANWAR ALI OR OTHER OFFICIALS OF THE SAUDI ARABIAN MONETARY AGENCY WITH A FORMAL REQUEST FOR SPECIFIC INFORMATION TO ANSWER QUERIES IN REFERENCED AIRGRAM. THE GOVERNOR REFUSED FIGURES TO A U.S. CONGRESSMAN SOME TIME AGO. SAMA HAS NOT PUBLISHED ITS BI-WEEKLY REPORTS SINCE APRIL 1974 AND THE ANNUAL REPORT, NOW OVERDUE, WILL NOT BE PUBLISHED FOR A FEW WEEKS. A SET OF FIGURES HOWEVER THAT WERE EDUCATED GUESSES WAS GIVEN BY ECON COUNS TO ANWAR ALI AND TO THE CHIEF OF THE ECON SECTION OF SAMA, AND MODIFIED ACCORDING TO THEIR INFORMAL COMMENTS. (WE UNDERESTIMATED THEIR CURRENT RESERVES BY MORE THAN 25 PERCENT.) HOWEVER, THE FOLLOWING ADJUSTED FIGURES CANNOT BE CONSIDERED DEFINITIVE, AND THERE ARE UNDOUBTEDLY SOME ERRORS IN THEM. THE ONLY FIRM FIGURES ARE PROBABLY THE DAILY RATES OF INCOME AND APPROXIMATE EARNINGS ON INVESTMENTS PLUS THE OVER-ALL FIGURE OF RESERVES AS OF SEPT 1, 1974. THIS LATTER IS WITHIN A FEW HUNDRED MILLION OF BEING ACCURATE.

2. FIGURES FOLLOW:

AVERAGE INCOME PER DAY	\$82 MILLION
INCOME P/D FROM INVESTMENTS	\$2.4 MILLION
INVESTMENT SPENDING INFLOWS	
(ARAMCO FOR MOST PART)	\$1.5 MILLION
CURRENT EXPENDITURES:	
OBLIGATION RATE	\$20 MILLION
ACTUAL SPENDING	\$12 MILLION
AID TOTAL (OBLIGATIONS) PROJECTED FOR YEAR 1974-75	
INCLUDING ISLAMIC DEVELOPMENT BANK, AID TO EGYPT,	
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JORDAN, AND SYRIA, TO AFRICAN STATES, AND CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS \$3.2 BILLION

DISPOSAL OF SURPLUS FUNDS:

A. BANKING/MONEY MARKET ASSETS:

EURODOLLAR HOLDINGS	\$6.2 BILLION
OTHER EUROPEAN CURRENCY HOLDINGS	.5 BILLION
DOLLAR HOLDINGS IN U.S. BANKS	3.1 BILLION

B. SECURITIES:

NATIONAL GOVERNMENTS	\$800 MILLION
INT'L FINANCIAL INSTITUTIONS	\$1.6 BILLION
C. OTHER LENDINGS	\$250 MILLION
D. DIRECT INVESTMENT IN PRIVATE COMPANIES (JOINT VENTURES)	\$0
E. OTHER CORPORATE SHARES	\$250 MILLION
F. REAL ESTATE	
SAUDI ARABIAN GOV'T	NO SIGNIFICANT HOLDINGS
PRIVATE SAUDI (ESTIMATED)	\$150 MILLION
ESTIMATED TOTAL FUNDS HELD BY SAMA	
SEPTEMBER 1, 1974	\$12.7 BILLION

3. THERE IS NO DOUBT THAT SAUDI ARABIA IS MOVING IN THE DIRECTION OF A MORE PROFESSIONAL GROUP OF INVESTMENT ADVISERS AND MAY ALREADY HAVE MADE THE DECISION AS TO WHICH OF SEVERAL GROUPS MAY BE CALLED ON TO HANDLE THE DAY-TO-DAY WORK OF INVESTING HER FUNDS. BANKS IN NEW YORK ARE RESISTING SHORTER-TERM DEPOSITS, AND LONGER-TERM INVESTMENTS ARE UNDER ACTIVE CONSIDERATION. TECHNICIANS WITHIN SAMA STILL DISPLAY A STRONG TENDENCY TOWARD WANTING TO SLOW DOWN THE RATE OF INCREASE IN SAG INCOME. A CONVERSATION WITH THE CHIEF ECONOMIST INDICATES THAT THEY ARE VERY MUCH AWARE THAT SAUDI ARABIA WILL SOON (NO LATER THAN NEXT MARCH) BECOME FIRST IN THE WORLD IN FINANCIAL RESERVES. IN FACT, AT PRESENT RATES OF GROWTH, BY JAN. 1, THE \$20 BILLION MARK WILL HAVE BEEN REACHED. SAUDI ARABIA'S EARNINGS ON INVESTMENTS WILL THEN BE MORE THAN \$5 MILLION PER DAY. SAUDI ARABIA ALREADY HAS ENOUGH FUNDS TO CAPITALIZE ITS SHARE OF THE ENTIRE TEN-YEAR PROGRAM OF INDUSTRIALIZATION AS PROJECTED TO THE U.S./SAUDI ECONOMIC COMMISSION. WE HAVE JUST LEARNED FROM A GOOD EUROPEAN SOURCE THAT THERE IS A SAUDI INVESTMENT IN FRENCH GOVERNMENT BONDS, 10-YEAR AT 10.5 PERCENT. AMOUNTS ARE UNKNOWN, BUT CONFIDENTIAL

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THIS IS THE LONGEST TERM INVESTMENT SO FAR ACTUALLY CONFIRMED.

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C O N F I D E N T I A L SECTION 2 OF 2 JIDDA 5097

BEIRUT PASS BAGHDAD

4. IF SAMA OFFICIALS DECIDE TO COMMENT FURTHER ON THESE  
FIGURES AND GIVE US MORE ENLIGHTENMENT, WE WILL MAKE  
THE NEEDED CORRECTIONS IN THEM. WE CAN ONLY SAY THAT  
THEY ARE PROBABLY AS GOOD AS ANY FIGURES NOW EXISTING  
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OUTSIDE OF SAMA AND ITS TIGHTLY LEASHED GROUP OF  
ADVISERS.  
AKINS

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM, FOREIGN EXCHANGE HOLDINGS, INVESTMENTS, EXPORTERS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 04 SEP 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
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**Original Previous Handling Restrictions:** n/a  
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**Previous Handling Restrictions:** n/a  
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30 JUN 2005

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**Secure:** OPEN  
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**TAGS:** EFIN, SA, US  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005